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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, UT 84145-0155

<http://www.blm.gov>



IN REPLY REFER TO:

3485

SL-068754

UTU-78562

(UT-924)

RECEIVED

MAR 02 2007

DIV. OF OIL, GAS & MINING FEB 28 2007

CERTIFIED MAIL—Return Receipt Requested

DECISION

WEST RIDGE Resources, Inc	:	Coal Leases
P. O. Box 1077	:	SL-068754
Price, UT 84501	:	UTU-78562
	:	

Category 3 Royalty Rate Reduction

For Coal Leases SL-068754 and UTU-78562 Approved

On October 27, 2004, WEST RIDGE Resources, Inc filed on behalf of ANDALEX Resources, Inc. and Intermountain Power Agency, the lessees of these leases, for a royalty rate reduction (RRR) on coal mined from Federal leases SL-068754 and UTU-78562, which is the West Ridge Mine. WEST RIDGE Resources, Inc. requested a reduction from the current rate of five percent to a rate of two percent for a two year period.

The Bureau of Land Management (BLM) has examined the WEST RIDGE Resources, Inc. application for a RRR on Federal coal leases SL-068754 and UTU-78562 and determined the West Ridge Mine presently has an operating cost that exceeds production revenue because of reduced marketability of the coal. The reduced marketability of the coal is due to higher sulfur content which has caused reduced mine productivity due to liberation of hydrogensulfide gas during the mining process. BLM is limiting the RRR to a two year period for these leases.

BLM hereby approves a Category 3 RRR, effective November 1, 2005, and the term of the royalty rate reduction will be two (2) years.

Excess royalties paid on production between the effective date of the RRR and the approval date shall be recouped as a credit from prospective production royalty payments from leases SL-068754 and UTU-78562. In no case shall a lessee be entitled to or ever receive a cash refund once a RRR has been approved. A lessee may recoup past royalty overpayments only from succeeding period royalty obligations for the same lease account for which a RRR has been granted. Reporting of royalty recoupments shall be made in accordance with the Minerals Management Service's (MMS) payer handbook.

Incoming
C/007/0041

The lease accounts are in good standing with MMS. The Utah Division of Oil, Gas and Mining as well as the Washington Office of the BLM have sent letters of concurrence to the RRR.

Royalty rate reductions approved under this category are transferable with the lease, provided all lease payments are current and the lease accounts are in good standing.

This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR, Part 4, and the enclosed Form 1842.1. If an appeal is taken, your notice of appeal must be filed in this office (at the above address) within 30 days from receipt of this decision. The appellant has the burden of showing that the decision appealed from is in error.

If you wish to file a petition (pursuant to regulation 43 CFR 4.21)(58 FR 4939, January 19, 1993) (request) for a stay (suspension) of the effectiveness of this decision during the time that your appeal is being reviewed by the Board, the petition for a stay must accompany your notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and petition for a stay **must** also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed in this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay

Except as otherwise provided by law or other pertinent regulation, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards.

- (1) The relative harm to the parties if the stay is granted or denied,
- (2) The likelihood of the appellant's success on the merits,
- (3) The likelihood of immediate and irreparable harm if the stay is not granted, and
- (4) Whether the public interest favors granting the stay.

/s/ Jeff Rawson

Selma Sierra
State Director

Enclosures

1. Form 1842-1 (1 p)

cc: Mr. John Baza, Director, UDOGM, Box 145801, Salt Lake City, Utah 84114-5801
Price Coal Office
MMS, MRM, Solid Minerals Staff, Attn: Patrick Mulcahy, MS390B2, Box 25165, Denver, CO 80225-0165
ANDALEX Resources, Inc. P. O. Box 902, Price, Utah 84501
Intermountain Power Agency, Coal Business Manager, Los Angeles Department of Power and Water, 111 North Hope Street, Room 1263, Los Angeles, CA 90012-2694